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United States Department of State

Washington, D.C. 20520

October 11, 1983

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MEMORANDUM

TO: Members of the IG on the President's Trip to Asia

FROM: EA/J - L. Desaix Anderson

SUBJECT: Final Draft of Papers for the President's Trip to Japan

Attached is the final draft set of papers for the President's trip to Japan. You should be prepared to approve them at the IG meeting on the entire Asia trip, which will be held in the EA Bureau Conference Room on Friday morning, October 14 at 4:00 p.m.

Please ensure that all required clearances within your agency/bureau are obtained before the Friday meeting, as this is the last time that these papers will be circulated.

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DEPARTMENT OF STATE

BRIEFING PAPER

SECRET FINAL DRAFT 10 - 11 - 83

MEMORANDUM FOR: THE PRESIDENT

FROM: George P. Shultz

SUBJECT: Your Visit to Japan

I. SETTING

Your trip to Japan comes at the beginning of a new era in Japanese-American relations. Under the leadership of Prime Minister Nakasone, Japan is becoming increasingly assertive in international affairs and is forging a new role for itself. We wish to encourage this trend toward an increased sense of international responsibility by the Japanese, but it is essential that it be within the framework of a close bilateral relationship with the United States. Your visit to Japan and the themes that you strike there will be instrumental in indicating to the Japanese and American people the kind of relationship we want with Japan in the years ahead. In recent years, we have achieved a close bilateral partnership, with Japan gradually becoming more of an equal rather than a junior partner. As we look to the future, we want to move beyond a simple bilateral relationship toward global cooperation.

Despite our concerns over trade and defense issues, our overall relationship with Japan is basically healthy. Ambassador Mansfield has said many times that ours is "the most important bilateral relationship in the world -- bar none." Your visit will be of immense interest and one of the most important events of the year to the Japanese people and government and will help strengthen Nakasone's image and standing in his country.

Global cooperation with Japan to achieve peace and prosperity in the world, based on our shared values and close political, economic, and security ties, should be the overarching theme of your visit. So you can emphasize our overall relationship with Japan and these broader issues, we have strived to resolve many outstanding trade and defense problems as we could before your visit.

II. ISSUES

1. Economic Issues, Especially Trade Problems.

During the visit, we will work at the Cabinet-level to address outstanding short-term issues, as I hope that you can devote your time to engage Nakasone in discussions about our

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overall, long-term economic relationship. We must urge the Japanese to look at the problem of improved access to their market in the context of the tremendous benefits Japan receives from market access elsewhere, including the U.S., and its responsibility to help maintain a healthy international trading system. We will need to remind Nakasone of the political and protectionist pressures we will be under next year, when the trade deficit hits $27 billion, and of the importance of Japan taking additional steps, as well as moving promptly to implement fully the commitments it has made to open its market to trade and investment. The political costs of not dealing effectively with these issues would be high. We also want to encourage Japan to work in close partnership with us to meet global economic challenges and to shoulder greater leadership in international economic affairs, including financial issues and economic assistance.

2. International Political Issues: Asia; Soviet Relations; and Arms Control.

As Japan moves toward a greater international political role, it is important that we consult and cooperate closely with each other. We will want to discuss our respective relationships with the Soviet Union, the INF negotiations and their impact on Asian security, our relations with China, Korea, and the ASEAN nations, and the Indochina situation. We will want to discuss US-Japan cooperation on economic assistance, and the Japanese will be interested in your views on the Middle East and Central America.

3. Defense and Security Issues.

Japan is moving slowly but surely toward acceptance of a greater defense role. Our mutual security relationship is proceeding smoothly, and we recently concluded an agreement on exchanging defense technology. It is in the area of Japan's direct defense efforts where you will want to seek a commitment from Nakasone to strengthen Japan's ability to carry out within this decade the defense roles and missions that it has accepted for itself.

Given political sensitivities on this matter in Japan, I believe that we should play defense in a low-key publicly during the visit and reserve discussion of defense issues principally for your private meetings with Nakasone.

4. Science and Technology Issues.

We will want to emphasize our cooperation with Japan in science and technology. An area of special interest to Nakasone is cancer research. Because of strong pressures here, we will need to press for Japanese adherence to the international whaling ban.

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MEMORANDUM TO THE PRESIDENT

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Cleared:EA/J-LDAnderson
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SUGGESTED TALKING POINTS FOR
YOUR MEETING WITH PRIME MINISTER NAKASONE ON BILATERAL ISSUES

--Believe we are moving into new era in Japanese-American relations. We earnestly seek closer partnership and consultation with you on international political, economic, and security issues.

--Important we should focus promptly and seriously on actions to achieve a long-term expansion of trade and investment on an equitable basis. We must get away from the present repetitive cycle of treating trade issues on a short-term, "fire fighting" basis. We must emphasize our international economic responsibilities and commit ourselves through a statement of principles to open our markets broadly to trade and investment and to carry through promptly on the commitments we have made.

--Continuing impediments to our access to Japan market hurt our relationship and weaken free trade system. Progress is necessary on an urgent basis.

--Let us agree to seek increased trade and investment in American energy. Let us also commit ourselves to eliminate barriers to trade and investment in new high tech products.

--Yen-dollar exchange rate issue can be a lightning rod. Must ensure that value of yen closely reflects interaction of market forces between Japanese and world economies. Therefore urge freer movement of capital in and out of Japan and expanded international role for currency of world's second largest economy. We would like to encourage greater two-way investment. Also would like our ad hoc investment group to expand into an investment policy subcommittee.

--Believe our mutual security relationship is proceeding smoothly, as befits our partnership. However, important that Japan move as soon as possible within this decade to carry out defense roles and missions it has set for itself. Politically and publicly we want to make it easier for you to do this, not harder.

--As world technological and scientific leaders, believe we should examine ways to strengthen our cooperation and establish an umbrella organization to oversee our scientific relationship.

--Must indicate importance of Japan's providing signal it will adhere to international commercial whaling moratorium in 1985. We are under strong pressure to reduce your fishing privileges in U.S. exclusive economic zone because of Japan's position.

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BILATERAL TALKING POINTS

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FINAL DRAFT
10/11/83

SUGGESTED TALKING POINTS FOR
YOUR MEETING WITH PRIME MINISTER NAKASONE ON GLOBAL ISSUES

-- The primary goal of my visit to Japan is to promote global cooperation with Japan to achieve peace and prosperity throughout the world. We welcome the more active international role for Japan that you have been advocating. Based on our shared vaues and close political, economic, and security ties, let us move forward together in international partnership.

-- Given the economic power and vitality of our two countries, we share a special responsibility to carry on the Williamsburg spirit and provide the leadership to meet global economic challenges, strengthen the international trading and financial system, and promote economic and social development in the LDC's.

-- Despite the Soviet military build-up, I believe the situation in Asia is still basically favorable to our interests, due in large measure to the region's economic dynamism and the quality of Asian leadership. Our relations with China are proceeding smoothly. We especially welcome your personal effort to strengthen Japan's relations with Korea. ASEAN is developing favorably, although we both must watch the situation in the Philippines carefully. We must continue strong support for ASEAN on Indochina.

-- Nevertheless, we must be able to counter Soviet military build-up, their principal hope for influence in the region. Their action in shooting down the KAL airliner and their behavior afterward typified their approach to international affairs -- brute force, threats and intimidation, and lies and deceptions. We can maintain peace and prosperity of this region only through a strong deterrent capability. This is why accelerated Japanese and American defense efforts are so important.

-- We encourage you to continue to strengthen your controls over technology transfer to the Warsaw Pact countries and to build on our cooperative efforts in this area.

-- At same time, we must proceed with arms control negotiations with Soviets. I appreciate Japan's support of my recent INF proposal, and I promise we will continue to consult closely with you. I want to see a reduction in SS-20's globally and in Asia. It is important that we maintain a global approach to these negotiations. America's extended deterrent and our Mutual Security Treaty also serve to counter Soviet nuclear threat in Asia.

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GLOBAL TALKING POINTS

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To: The Secretary

From: EA - Paul Wolfowitz

Subject: Your Briefing of the President in Preparation for His Trip to Japan _____, October _____ at _____

BACKGROUND AND US-JAPAN RELATIONS

The most important feature of postwar Japanese-American relations is its evolutionary and dynamic character. We now have achieved a close bilateral partnership with Japan, and the challenge of the future is to realize on an international scale the full potential of our relationship. The President's trip to Japan can determine the substance and the style of our relationship with Japan for years to come. Our overall theme for the visit is cooperation with Japan to achieve global peace and prosperity in the world, based on our shared values and our close political, economic, and security ties. We want to encourage the more active international political and economic role that Nakasone has been advocating for his country, but we want this to be within the framework of the international partnership that you called for in your Shimoda Conference speech.

We also want to emphasize the breadth and diversity of our ties with Japan, which extend across the broad spectrum of political, economic, security, scientific, and cultural relations. Public and press attention during the trip will focus on trade problems and Japanese defense spending. We therefore will need to make a special effort to remind both the Japanese and American people that there is much more to our relationship than those matters, important though they may be.

Our final goal is to set in place a strengthened and comprehensive process for managing the underlying, longer term issues in our relationship. We must avoid giving the impression during the trip that there are simple, overnight solutions to our trade problems. With the prospect of a $27-30 billion trade deficit with Japan looming before us next year, political and protectionist pressures in the U.S. will be heightened, and our relationship will be affected accordingly. We already have a number of mechanisms in place to deal with problems that arise, and the Japanese have made a number of commitments that we should urge them to implement fully and promptly. There are a number of additional steps that we should take during the trip to deal with the longer-term issues

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in our relationship. (A list of proposed actions to deal with our long terem relationship is attached.) With all of this in place, we need only the political determination on both sides of the Pacific that the President's trip can bring to carry through and demonstrate to our publics and legislators that we are managing our relationship, and the problems within it, effectively and responsibly.

Topics and Themes for the Visit

The President will be able to promote these goals both in private meetings with Nakasone and in several public events. In addition, we can expect a number of Cabinet and working-level meetings during the Tokyo stop to give more detailed and concrete expression to our objectives.

The President will have two meetings with Nakasone, as well as a private luncheon. We recommend that the first meeting focus on bilateral issues, where the President should emphasize the importance of dealing with the underlying economic problems in our relationship and call for a statement of principles to govern our economic relationship. We should expand the present ad hoc investment group into a full subcommittee of the Economic Sub-cabinet consultations to deal with bilateral investment and financial issues and also establish a sub-cabinet level group to oversee our scientific relationship. The President should seek a commitment in private from Nakasone that Japan will move as soon as possible within the decade to carry out the defense missions it has set for itself. Finally, I believe that we will need to indicate the strong pressure we are under because of Japan's whaling policy.

During the meetings on global issues, the President and Nakasone will want to discuss the situation in Asia, our respective relations with the Soviet Union, and the INF negotiations. As time permits the discussion probably would turn to the Middle East, Central America, and other regions. We will want to emphasize the need for increased Japanese leadership to meet global economic challenges. In this regard, we understand that Nakasone wants the President to join him in calling for a new GATT round, and I believe the President should do so.

Japan is one of the most media-saturated nations in the world, and the President's public events will allow him to reinforce these themes in public (except for defense, which we believe we should play in a low-key by emphasizing our support

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of the commitments Japan has made). These include his major speech to the Diet, which will be the Asian counterpart to his Westminister speech; public remarks at receptions hosted by the Keidanren and the Japan-America society; the American Chamber of Commerce; the Japan Press Club; and the 30-minute television interview.

1. US-Japan Relations

-- Indicate our desire for closer partnership on international political, economic, and security issues.

-- With the prospect of a $27-30 billion trade deficit with Japan looming before us next year, political and protectionist pressures in the U.S. will be heightened, and our relationship will be affected according. The political costs of not dealing effectively with these issues will be high.

-- Indicate need to deal promptly with underlying long-term economic issues, especially trade. Call for statement of principles of US-Japan economic relations.

-- Stress need for further market-opening measures. Seek expanded trade and investment in American energy resources. Emphasize need to implement promptly and fully previous commitments to open market. Call for removal of barriers to trade and investment in high-tech products.

-- Encourage Nakasone to move as soon as possible within this decade to carry out the defense missions Japan has set for itself.

-- Call for further liberalization of Japanese capital markets and expanded international role for yen. Agree to expand present ad hoc investment group into a permanent subcommittee, and call for greater two-way investment.

-- Call for review of all existing science agreements, aiming for strengthened S&T relations. Establish a US-Japan Sub-cabinet group to oversee our S&T relationship.

-- Indicate importance of Japanese adherence to international whaling ban in 1985.

-- Give our blessing to an "America House" in Tokyo to house organizations promoting US-Japan cultural relations.

-- Invite the Crown Prince and Princess to visit the U.S.

2. International Political Issues

-- Discuss our respective relations with the Soviet Union and stress importance of greater Japanese defense efforts to help maintain Approved For Release 2011/01/18 : CIA-RDP85M00363R000200240005-3

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-- Discuss our respective relations with China, Korea, and Asean countries. Welcome improved Japanese-Korean relations, a Nakasone goal. Support ASEAN on its Indochina position.

-- Discuss INF negotiations and promise to continue close consultations with Japan. Stress global approach and roles of U.S. extended deterrence and Mutual Security Treaty in countering Soviet nuclear threat in Asia.

3. International Economic Issues

-- Build on Williamsburg spirit and call for US-Japan leadership to strengthen international trade and financial system and promote economic development.

-- Call for a joint statement of principles that covers our economic relationship in its global as well as bilateral aspects.

-- Nakasone is interested in calling for a new GATT round. We should support his call.

-- Encourage Japan to stengthen further its controls over technology transfer to the Warsaw Pact countries.

Attachment: 1. List of Actions to Deal with Long-Term Relationship .

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SECRETARY'S MEMO FOR BRIEFING
THE PRESIDENT

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DESIRED LONG TERM RESULTS FROM THE PRESIDENT'S VISIT

Significant Actions to be Resolved at the Working Level Prior to or During the President's Visit

I. Liberalization of Japan's agricultural quotas on beef, citrus and other agricultural products.

II. Deep Japanese tariff cuts on products of interest to U.S., such as forest products, paper, agricultural products, alcoholic beverages, and semi-conductors.

III. Resolution of Japanese automobile export restraint issue.

Presidential Actions During the Visit

I. Prime Minister/President will issue Statement of Principles Governing US-Japan Economic Relations, covering both its bilateral and its global aspects. The Statement will read:

"The President and the Prime Minister agree that the United States and Japan share a special responsibility and pledge themselves to:

--consult closely on macroeconomic policy, aimed at sustained, non-inflationary growth and a convergence of economic performance;

--resist protectionism and open their markets broadly to trade and investment in goods and services;

--promote an open, strengthened global trading and investment system;

--promote economic and social development in LDC's through their economic assistance, trade and investment policies; and

--through their individual and cooperative efforts, raise the world's general economic and scientific level.

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Furthermore, the United States and Japan pledge to consult closely in the fulfillment of these goals, and to resolve promptly any outstanding differences in a spirit of friendship and cooperation. The two nations pledge to implement promptly the commitments they have made. The President and the Prime Minister wish to stress the importance of our bilateral economic framework and institutions to deal systematically with longer term trade, investment, and other issues."

II. Prime Minister Nakasone will call for a new round of GATT negotiations. President Reagan will immediately endorse this.

III. The U.S. and Japan will agree to establish a permanent investment policy subcommittee, on an equal basis with the trade policy subcommittee, growing out of the present ad hoc group, reporting directly to the Economic Sub-cabinet group.

IV. The U.S. and Japan will agree to encourage greater two-way investment.

V. Prime Minister Nakasone will agree privately to strengthen Japan's ability to carry out the defense roles and missions it has set for itself as soon as possible (preferably within this decade).

VI. The U.S. and Japan will seek expansion of cooperation in science and technology as the result of a joint review of all existing S&T agreements and efforts, which both nations will undertake over the next year. (Given Prime Minister Nakasone's personal interest in cancer research, during the visit, we should propose expanded cooperation in this area.)

VII. The U.S. and Japan will establish a sub-cabinet level Science and Technology Group, similar to the Economic Sub-cabinet group.

VIII. As a symbol of our confidence in the economic and technological vitality of our two countries, and of our desire to strengthen the free trade system, the United States and Japan will commit themselves to ensure the equitable, free flow of trade and investment in high technology products and services. The two countries resolve to continue their efforts to promote market access, eliminate predatory trade practices, enhance mutual technology flows, and foster cooperation in high technology R&D. As first steps, we endorse the program to

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promote the import by Japanese companies of U.S. semiconductors on a continuing basis and agree to the mutual elimination of tariffs on semiconductors.

IX. The President and the Prime Minister will agree that it is important that Japan should expand imports of manufactured goods and value-added agricultural and forest products.

X. The President and the Prime Minister should agree to seek increased Japanese trade and investment in American energy resources. The U.S. should assure the Japanese of its reliability as a stable source of supply. A joint report is being prepared which will be released at the time of the President's visit outlining the progress to be made to expand energy trade and cooperation between the two countries.

XI. The President and Prime Minister will give their blessings to an "America House" to be established in Tokyo to house the Japan offices of the eleven organizations promoting cultural relations between the United States and Japan.

XII. The President should extend an invitation to the Crown Prince and Crown Princess to pay an official visit to the United States, their first since the Eisenhower Administration.

Secretarial-Level Actions During the Visit

I. The U.S. and Japan will agree to study and make recommendations to reform the Japanese distribution system as it affects imports, with the goal being to equalize access to the Japanese distribution system for imported goods. This will be a joint government-business reform study group, with recommendations to go to the Prime Minister. U.S. side will include Commerce, USTR, and ACCJ; Japanese side will be MITI, JETRO, and the Market Access Promotion Mission mechanism.

II. In connection with import distribution reform, the U.S. will urge the GOJ to allow U.S. companies to import, manufacture, store, distribute and advertise cigarettes and other tobacco products on their own, rather than going through the JTS.

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III. The U.S. and Japan will encourage greater exchanges of personnel between government and private organizations. For example, the U.S. and Japanese FSI's could exchange training officers to promote greater awareness of each country's political systems among the other's bureaucracy; Keidanren and the U.S. Chamber of Commerce could exchange personnel; and journalists could work for six months at each other's newspapers.

IV. At the Cabinet level, the United States and Japan will agree to a bi-national comparative study of science and math education in public schools, aimed at providing recommendations for improved education in these subjects, which are so important to economic and technological progress in the future.

U.S. Unilateral Actions in Connection with the Visit

I. The U.S.G. will continue its effort to identify and negotiate the removal of those remaining Japanese barriers to American goods, services, and investment and will publish an updated list of barriers and an assessment of the results of Japanese actions taken to date, which will form the basis for joint discussions, as appropriate.

II. The U.S.G. will announce a review of its market promotion and market information services for American companies interested in selling to the Japanese market. A review of state government practices should be included.

III. The U.S.G. will commit itself to provide adequate staffing for all agencies involved in its economic relationship with Japan and to ensure organizational and operating efficiency for all agencies concerned with our bilateral economic relationship with Japan. In addition, the U.S. will study the re-opening of its consulate in Nagoya, Japan's third most important industrial city.

IV. The U.S.G. will encourage the formation of American trading companies specializing in the Japanese market.

V. The U.S., with private contributions or through the NSF, will study the establishment of an S&T Center in Japan to monitor Japanese research and technological developments, translate documents, and make these available to U.S. industry and universities.

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DESIRED RESULTS OF THE PRESIDENT'S TRIP

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BRIEFING PAPER

Final Draft
10/7/83

BILATERAL ECONOMIC RELATIONS

Overall US-Japan economic relations are generally healthy. As the two largest industrial democracies, our economies are becoming increasingly interdependent. With over $60 billion in total bilateral trade in goods and services expected this year, Japan is our second largest trading partner, taking almost 10 percent of our exports. The US is Japan's largest market, accounting for about 25 percent of its total exports. Long-term capital flows also are increasing, particularly Japanese direct investment in the US, which now stands at some $8-9 billion.

Trade relations between the US and Japan have been difficult over the past several years, however, and are likely to remain a major political problem. Our large trade deficit with Japan and (projected to hit $27 billion in 1984), the perception that Japan's markets still remain closed to a significant degree, continued high US unemployment, a strong dollar, and the obvious successes enjoyed by Japanese firms in the US and other markets have fostered a strong protectionist strain in public and congressional opinion. In response, we have pressed Japan to provide greater access to its economy by liberalizing and internationalizing its trade and financial markets. We have also begun a dialogue on industrial policy and its implications for open trade, which arose from congressional and US business community concern that the US should develop an appropriate policy response to bilateral trade pressures from "targeted" Japanese industries.

Over the last two years, the GOJ has announced several market-opening trade "packages," which have included some tariff reductions, streamlined customs procedures, and revamped product standards and certification requirements. However, we are concerned over delays in the implementation process of many of the announced measures. Moreover, tariffs still remain high on many items for which US producers are competitive.

More fundamentally, Japan has not yet fully addressed other items which restrict imports, such as its agricultural import quotas and other restrictions, cartels and certain business practices, and restrictive government procurement policies. Some of the problems also involve more intractable structural factors such as traditional customer-supplier relationships, attitudinal barriers, and a very complicated distribution system for imports. Although Prime Minister Nakasone has generally committed Japan to a market-opening process, we are still seeking to develop a long-term process by which to address these issues, as well as new problems which will inevitably arise from such a dynamic and complex relationship.

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Checklist of Key Economic and Trade Issues

Beef and Citrus. We have proposed a rapid but phased elimination of Japan's import quotas and other restrictions beginning April 1, 1984, when our current agreement covering these products expires. The Japanese have offered modest quota increases but are not prepared to commit themselves to the eventual elimination of the quotas.

Automobile Export Restraints. The Japanese appear willing to extend their voluntary automobile export restraints for a fourth and final year, but only if the US requests and explains the necessity for continued restraints.

Nippon Telegraph and Telephone Procurement (NTT). While increasing, sales of US equipment to NTT are still less than 2 percent of total NTT purchases, despite a special three-year bilateral procurement agreement which is up for renewal the end of this year. Assurances of significant long-term prospective purchase of sophisticated US telecommunications equipment will be an important factor in our consideration of whether to renew the agreement. Recent statements by the Japanese that they have decided as a matter of national policy to develop their own communications satellites and will not purchase US models will complicate the process.

Energy Cooperation. We have stressed the ability of the US to supply coal, oil and LNG on a long-term basis to Japan, but reduced Japanese energy demand, restrictions on US oil exports, LNG supply commitments excess to Japan's needs through the early 1990's, transport costs for US coal, and other factors complicate the picture. A working group has recommended that you and Nakasone announce a joint policy statement on energy cooperation.

Semiconductors. We are working with the Japanese to develop a program to promote imports of US high technology products by Japan, particularly semiconductors. We hope it can be announced before or in connection with your visit.

Tariffs. We have been pressing the Japanese to eliminate or reduce a number of tariffs which are major obstacles to increased U.S. exports. We have identified five key categories: certain high-value or value-added agricultural products, forest products, paper, alcoholic beverages, and semiconductors. In some instances we have offered parallel cuts in US tariffs.

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Standards Implementation. In May, Japan revamped 16 laws concerning product standards and certification requirements, which affect about 60 percent of US exports to Japan. However, the Japanese bureaucracy has been slow to implement these changes. For example, no US baseball bats have been approved for sale in Japan, despite the well-publicized "resolution" of this issue three months ago.

Oceans/Whales. US law and the US-Japan Fisheries Agreement require Japan to help develop the US fishing industry through joint ventures, etc. in return for fishing rights in US waters. In addition, we are seeking greater access for US fisheries products in the Japanese market, including tariff cuts. However, Japan's willingness to do this is complicated by the fact that we have withheld 100,000 tons from Japan's 1983 US fisheries allocations in response to Japan's objection to the International Whaling Commission's 1982 decision on a moratorium on commercial whaling. We will be under further pressure by Congressional and environmental interests to withhold additional amounts if the Japanese do not indicate that they will abide by the moratorium when it comes into effect in 1985. Many US fishing interests oppose this linkage, believing it will make Japanese cooperation in joint fishing ventures more difficult.

Investment. We have begun a dialogue on investment issues. We want to increase the openness of Japan investment procedures, eliminate any remaining Japanese investment barriers, and promote the further liberalization of Japan's capital markets. We also hope to encourage Japanese investment in the US as a way of mitigating trade frictions, but the GOJ has raised serious concerns over the unitary tax requirements of various states and problems some Japanese firms have experienced in buying US companies possessing sensitive technologies.

Yen/Dollar Relationship. Available evidence indicates that Japan has not sought to weaken the yen to gain an unfair trading advantage. Nevertheless, the current yen/dollar exchange rate probably does not reflect underlying long-term economic relationships, and a considerable segment of the US business community argues that the alignment continues to disadvantage US producers in world markets and at home. We wish to encourage the continued liberalization of Japan's capital markets and the internationalization of the yen despite any adverse short-term exchange rate consequences which may arise.

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BILATERAL ECONOMIC RELATIONS

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BRIEFING PAPER

FINAL DRAFT 10-7-83

GLOBAL ECONOMIC RELATIONS

The US and Japan have generally pursued parallel and cooperative global economic policies based on a sharing of broadly similar values and interests, as was most recently evidenced in Prime Minister Nakasone's helpful and forthcoming approach at the Williamsburg Summit. We have stressed to the Japanese that we want to work in close partnership with them to meet global economic challenges and have encouraged Japan to shoulder greater leadership responsibility in international economic affairs commensurate with its position as the world's second largest industrial democracy.

With some twenty percent of its GNP based on international trade and with few natural resources, Japan generally has been supportive of our trade initiatives in the GATT over the last year. Prime Minister Nakasone has taken a personal interest in a new GATT trade round.

In the financial area, the Japanese have been particularly cooperative in multilateral efforts aimed at addressing the problems of international debt, particularly in Latin America. However, they worry about the possibility of continued large USG budget deficits and their implications for interest rates. Concerned about exchange rate stability and what they see as a relatively weak yen and an overly strong dollar, they have also advocated coordinated, joint exchange rate intervention by the major industrialized countries.

As part of its "comprehensive security" and policy, Japan has sought to increase significantly its economic assistance activities and levels and now ranks fourth among OECD countries in providing economic aid. In part because of our encouragement, an increasing share of Japanese aid is going to countries located outside of East Asia, particularly to strategically-located countries such as Egypt, Pakistan and the Sudan, and to those countries for which we have requested special assistance (e.g., Jamaica).

In international fora, the Japanese almost never get out front on an issue, preferring instead to wait until other participants develop consensus. On North-South issues, they generally take positions mid-way between the US and the developing countries.

Japanese policies and actions on East-West economic matters have been generally consistent with our own objectives. In addition, GOJ officials are becoming more and more receptive to US concerns over technology leaks to COMECOM countries, and we have begun to discuss with them the need to tighten their controls on sensitive technologies.

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GLOBAL ECONOMIC RELATIONS

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BRIEFING PAPER
JAPANESE DEFENSE

FINAL DRAFT
10-7-83

The US has consistently urged Japan to assume greater responsibility for its own defense and to share more equitably with us the burdens of mutual security. Prime Minister Nakasone is our philosophical ally but he must overcome political and fiscal obstacles to a substantially larger Japanese contribution to mutual security.

Nevertheless, increasingly favorable public attitudes toward defense have allowed substantial progress in the security relationship, e.g., Japan's decision to fund construction for deployment of F-16s to Misawa, the decision to allow exports of weapons technology to the US, the ongoing joint study of sealane defense, and annual host nation support contributions of more than $1 billion (which compares to USG expenditures of $1.9 billion).

As enunciated by former Prime Minister Suzuki in 1981 and reiterated by Nakasone, Japan's basic defense goals are to protect Japan's territory and territorial seas and skies and its sealanes of communication out to 1,000 n.m. The U.S. has endorsed this approach but has pointed out that Japan's force modernization effort must proceed at about double the pace of recent years in order to meet these goals within this decade. In addition to procuring new front-line equipment, Japanese forces must also remedy serious deficiencies in combat sustainability and command and communications.

In making its case to the Japanese the US, since the advent of the Reagan Administration, has emphasized the "roles and missions" concept rather than defense spending per se, taking the view that, for his own domestic political purposes, Nakasone needs to present his defense programs as "Made in Japan", not imposed by Washington. Nonetheless, the Japanese are well aware of the symbolic importance of their defense spending plans. Privately, the US has at all levels stressed that a greater Japanese defense effort is important not only to our mutual security but also to disarming Congressional critics who mix or link alleged Japanese foot-dragging on defense with trade issues, thereby threatening the health of the overall US-Japan relationship.

With general elections looming sometime during the first half of next year, Nakasone will be hard pressed to sustain the 6.88 percent defense spending boost planned for JFY 1984, given the 10 percent cuts envisioned in social expenditures. While U.S. pressure on Nakasone could help sustain or possibly increase planned defense outlays, it also runs the risk, if publicly disclosed, of weakening Nakasone politically by creating the appearance that he bent to U.S. dictates. For that reason, the Inter-agency Group that planned your trip has recommended that discussion of defense issues should be reserved principally for private discussions with Nakasone.

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JAPANESE FOREIGN POLICY

In his efforts to make Japan an "international country", Prime Minister Nakasone so far has been able to walk a fine line between the Japanese public, which remains uncomfortable with Japan's more activist foreign policy, and the international community led by the United States, which continues to press Japan for a larger contribution to the international political and economic system.

In Asia, where Nakasone has been able to benefit from public acceptance of his active foreign policy within a traditional Japanese sphere of influence, Japan has moved vigorously to establish good relations with the ASEAN countries, has made a special effort to improve relations with Korea, and has stepped up economic assistance and ties with China. In his May 1983 ASEAN visit, Nakasone elicited general understanding of Japan's defense policies and confirmed Japan's intention to remain the area's largest aid donor. His trip to Korea in January 1983 set the stage for a $4 billion Japanese aid package to that country which has gone far to improve Japanese-Korean relations; and in China, which Nakasone will visit next year, the Japanese have stepped up economic support for China's modernization efforts to the point that the PRC will soon become Japan's number one aid recipient.

Japan's willingness to expand its political voice internationally is particularly evident in the Middle East. With Ambassadors in both Teheran and Baghdad, Japan hopes to provide a "bridge to the West" for both Iran and Iraq, and high-level GOJ missions have been dispatched to the region, including one led by Foreign Minister Abe. The GOJ prefers to keep its lines of communication with the PLO open, but not to the extent of official recognition. Japan continues to be a major regional aid donor.

The focal point of Japan's foreign policy, however, continues to be its relationship with the United States. Like its predecessors, the Nakasone Administration has sought to keep potentially damaging bilateral issues such as trade within manageable proportions, and is aware that further efforts need to be made. While Nakasone is more forceful than his predecessors in trying to lead public opinion, he nevertheless faces domestic political resistance to agricultural liberalization and a more rapid expansion of Japan's defense build-up.

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JAPANESE FOREIGN POLICY

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SCIENCE AND TECHNOLOGY ISSUES

The U.S.-Japan relationship in basic science and technology (S&T) is one of the positive aspects of our overall relationship and probably is the most mutually rewarding of our international S&T relationships. In 1961, the US-Japan Committee on Scientific Cooperation was created to support research by Japanese and American scientists in basic and applied sciences. In 1964, US-Japan cooperative program for the development and utilization of Natural Resources was established to complement the work of the USJCSC. The UJNR pioneered cooperation in space, health and energy and now also includes panels in the marine sciences and other areas, primarily agriculture and natural phenomena. The US-Japan Science and Technology Research and Development Agreement of May 1980 provides an umbrella for many cooperative research activities between the US and Japan. We are currently considering how best to restructure the multitude of existing institutions and their management to ensure that adequate coordination and policy focus is given to our S&T relationship.

In basic science and technology, the exchanges we have underway, particularly those in space and energy, are mutually beneficial in terms of information flow and Japanese investment in US R&D projects. The Japanese are building an experiment for Spacelab and are very interested in participating in future space station development and joint scientific satellite projects (the latter aimed at acquiring US satellite technology rather than hardware). In energy, despite disappointment over our cancellation of a synsfuels project, the Japanese have maintained a cooperative relationship with us in energy research, particularly that related to nuclear fusion and other alternative energy source research. In medical technology, there is currently an imbalance in our cooperation, with the Japanese having over 300 researchers at NIH with no Americans at corresponding institutions in Japan.

Historically Japan has emphasized acquisition of commercial technology by licensing rather than development of basic research. However, as Japanese technology comes closer and closer to the cutting edge of future technological development, there is Japanese interest in more basic scientific R&D.

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OCEANS ISSUES

There are three major oceans-related issues between the U.S. and Japan: Japanese intentions toward the International Whaling Commission's ban on commercial whaling due to be implemented in 1985; Japanese cooperation with the U.S. in commercial fishing; and Japanese cooperation with the U.S. to create an alternative regime for deep seabed mining.

Domestic pressures have prompted Japan to file an objection to the International Whaling Commission's moratorium on Commercial Whaling, scheduled for implementation in 1985/86. However, Japan has not yet indicated whether it will adhere to the moratorium. The USG strongly supports the IWC measure and has conveyed its commitment to use U.S. legislation providing for fishing and trade sanctions against Japan should it violate the IWC moratorium when it comes into effect. Japanese fishing allocations in U.S. waters already have been reduced because of Japan's whaling policies. We have told the Japanese that there is strong pressure to make further cuts in Japanese fish allocations. We would like to have assurances that, despite the Japanese objection to the 1985 moratorium, they will abide by the decision when it comes into effect and thus avoid more serious consequences to U.S.-Japan fishery relations. We recently have undertaken political discussions led by Ambassador Mansfield to find a solution to this problem.

Japanese fishing in U.S. waters accounts for 13 percent of total Japanese fish catch. Under the U.S.-Japan Governing International Fisheries Agteement (GIFA), Japan must agree to assist in the development of the U.S. fishing industry. Japanese compliance with this provision of the agreement to date has been excellent. Japanese joint ventures with American fishermen are scheduled to double by March of 1984. Many U.S. fishermen, particularly in the Northwest, are opposed to reducing fishing allocations as leverage in whale policy talks because of possible adverse effects on U.S. fishermen's jobs and joint venture prospects.

The U.S. has been negotiating an agreement with Japan and others to permit deep seabed mining to take place outside, but not inconsistent with, the Law of the Sea convention. Japan was at first reluctant to join us, but after your personal intervention with Nakasone in January, the talks have progressed very well, and we are close to resolving our technical differences. But Japan still is concerned that this new agreement may not be consistent with the LOS treaty, which it has signed. The decision must be made by the Japanese cabinet, which has yet to meet on the subject. We may be asking for your intervention to help tip the scales in our favor.

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